Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

CONFIDENTIAL

PAGE 01 SEOUL 04129 01 OF 02 160952Z
ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 AID-05 COME-00
EB-08 FRB-03 INR-10 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 PM-05 H-01 L-03 PA-01 SS-15
HA-05 STR-07 CEA-01 /090 W
----------110960 161024Z /13
O 160900Z MAY 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 1114

C O N F I D E N T I A L SECTION 1 OF 2 SEOUL 4129

PASS AID AND USDA/OGSM/HARNESS

E.O.11652: GDS
TAGS: EAGR, KS
SUBJECT: POTENTIAL FOR PROGRAM TO FINANCE MARKET DEVELOPMENT PROJECTS

REFS: A) FASTO CIRC 192, B) SEOUL 3183; C) SEOUL 2827;
D) SEOUL 1074; E) SEOUL 1002; F) SEOUL 3381; G) SEOUL 3223
H) SEOUL 0224

SUMMARY: THE AVAILABILITY OF MEDIUM-TERM CREDIT FOR AGRI-
CULTURAL IMPORTS WOULD, WE CONCLUDE, BY VERY HELPFUL IN
RETAINING THE DOMINANT U.S. POSITION AS SUPPLIER TO KOREA. IT
WOULD SERVE TO SMOOTH THE TRANSITION AS PL 480 AND OTHER
CONCESSIONAL CREDIT PHASE DOWN DURING THE TIME BEFORE KOREA
DEVELOPS A SUFFICIENTLY STRONG CREDIT RATING TO MEET ALL ITS
NEEDS FROM COMMERCIAL SOURCES. IF THE DEFINITION OF PROJECTS
QUALIFYING FOR USE OF THE PROCEEDS IS SUFFICIENTLY BROAD, THE
ROKG ESTIMATES THAT $1,500 MILLION A YEAR COULD BE USED FOR
SUCH A PROGRAM OVER THE NEST FOUR YEARS. END SUMMARY.

1. AS DESCRIBED IN REFS B AND E, THE ROKG HAS EXPRESSED A VERY
POSITIVE ATTITUDE TOWARD THE PROVISION OF INTERMEDIATE-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SEOUL 04129 01 OF 02 160952Z

TERM CREDIT FOR AGRICULTURE IMPORTS. WITH ITS RAPIDLY
GROWING ECONOMY, IT WILL CONTINUE TO BORROW ABROAD IN
LARGE AMOUNTS, BOTH COMMERCIALLY AND GOVERNMENT-TO-
GOVERNMENT TO FINANCE SOME PART OF ITS INVESTMENT NEEDS.
CREDIT FOR AGRICULTURAL IMPORTS WILL, THUS BE VERY
IMPORTANT IN RETAINING U.S. DOMINANCE IN THE KOREAN MARKET,
BECAUSE IT MAKES PURCHASE FROM THE U.S. MORE ATTRACTIVE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THAN FROM OTHER COUNTRIES.

2. TODAY, THERE ARE ALTERNATIVE SOURCES OF CREDIT WHICH MIGHT BE USED TO BUILD FACILITIES SERVING AGRICULTURAL MARKETING. THE WORLD BANK AND THE ADB ARE TWO NOTABLE EXAMPLES. HOWEVER, AS AN ADVANCED DEVELOPING COUNTRY (ADC) KOREA CAN SEE THAT IN NOT TOO MANY YEARS, IT WILL NO LONGER BE ELIGIBLE FOR SUCH BORROWING. MOREOVER, AT THIS TIME THE NEEDS FOR CREDIT FOR OTHER SECTORS, MOST NOTABLY INDUSTRY, MAKE IT DIFFICULT TO JUSTIFY THE USE OF SCARCE CREDITS FOR AGRICULTURAL MARKETING FACILITIES. PRIVATE CREDITS ARE ALSO AVAILABLE UP TO A POINT, BUT THEY ALSO TEND TO GO TO THE INDUSTRIAL SECTOR FIRST.

3. IT IS CLEAR FROM DISCUSSIONS WITH DEPUTY PRIME MINISTER NAM DUCK-WOO AND OTHER SENIOR OFFICIALS OF THE ECONOMIC PLANNING BOARD THAT THEY ARE VERY ATTRACTED BY LONGER TERM CREDIT FOR AGRICULTURAL IMPORTS AS A BRIDGE BETWEEN PL-480 TITLE I AND CCC CREDITS OR CASH. THEY ARE CONCERNED THAT THE DEBT SERVICE RATIO BE KEPT DOWN AND THUS THAT THE MATURITY STRUCTURE OF KOREAN BORROWING BE HEAVILY WEIGHTED ON THE LONG-TERM SIDE IN ORDER TO AVOID HAVING TO GO TO MARKET FOR VERY LARGE AMOUNTS ON UNFAVORABLE TERMS WHEN THERE IS A CYCLICAL CREDIT CRUNCH. THEY VIVIDLY REMEMBER THEIR PROBLEMS IN EARLY 1975 WHEN KOREA HIT THE BOTTOM OF THE BARREL AND THE BANKS WOULD NOT LEND ANY MORE.
CONFIDENTIAL

CONFIDENTIAL

4. THE AVAILABILITY OF THE PROPOSED MEDIUM TERM CREDIT WOULD HAVE ONE OTHER IMPORTANT EFFECT. UP TILL NOW, KOREA HAS SHARPLY LIMITED IMPORTS. IN RECENT MONTHS, HOWEVER, WITH A VASTLY STRONGER BALANCE OF PAYMENTS, IT HAS BEGUN TO LIBERALIZE IMPORTS (REF. G). THE POLICY IS ULTIMATELY TO OPEN THE DOMESTIC ECONOMY TO THE FULL WINDS OF FOREIGN COMPETITION. IN KOREA, THIS POLICY WILL PROBABLY MEAN A LONG-RUN DECLINE IN AGRICULTURE, BECAUSE INCOMES AVAILABLE IN NON-AGRICULTURE SECTORS WILL ADVANCE RAPIDLY AND DRAW LABOR OUT. BUT THIS POLICY AS IT AFFECTS AGRICULTURE WILL ONLY BE FOLLOWED IF KOREA FEELS CERTAIN OF ITS LONG-RUN CREDIT WORTHINESS AND ITS ABILITY TO BUY FOOD IN INCREASING AMOUNTS. THE LONG-RUN U.S. SUPPLY ARRANGEMENT (REF B) PROVIDED REASSURANCE FOR SUCH A POLICY AND THE CREDIT NOW PROPOSED WOULD REINFORCE IT.

5. IN THE SHORT TIME AVAILABLE TO ANSWER THIS MESSAGE, IT WAS NOT POSSIBLE TO IDENTIFY ALL THE SPECIFIC MARKETING IMPEDIMENTS WHICH WOULD BE REMOVED. THE ROKG GAVE US A LIST OF PORT IMPROVEMENTS WHICH ARE SCHEDULED FOR

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

FINANCING FROM 1978-1981 WHICH AVERAGED $118 MILLION A YEAR. IT IS CLEAR, HOWEVER, MUCH MORE COULD BE DONE ON TRANSPORTATION, STORAGE, PROCESSING AND UTILIZATION FACILITIES AND ON LIVESTOCK AND POULTRY PRODUCTION. THE ROKG WOULD ALSO LIKE TO USE THE WON COUNTERPART OF THE LOANS FOR ITS GRAIN MANAGEMENT FUND, WHICH BUYS AND STORES GRAINS. IT ESTIMATES IT WILL NEED AN AVERAGE OF $1,393 MILLION A YEAR OVER THE NEXT FOUR YEARS FOR THIS FUND.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 SEOUL 04129 02 OF 02 161011Z
ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 AID-05 COME-00
EB-08 FRB-03 INR-10 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 PM-05 H-01 L-03 PA-01 SS-15
HA-05 STR-07 CEA-01 /090 W
----------111057 161026Z /15
O 160900Z MAY 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 1115

C O N F I D E N T I A L SECTION 2 OF 2 SEOUL 4129

PASS AID AND USDA/OGSM/HARNESS

6. WE DO NOT BELIEVE THAT THERE WOULD BE ANY RETALIATION AGAINST THE U.S. FOR PROVIDING THE PROPOSED CREDITS. THE KOREAN MARKET IS SUPPLIED ALMOST ENTIRELY BY THE U.S. NOW, SO THAT THERE ARE NO GROUNDS FOR CLAIMING INJURY. MOREOVER, MOST OTHER SUPPLIERS APPARENTLY HAVE NOT BEEN ABLE TO OFFER MUCH MORE THAN THREE YEAR CREDITS, WHICH ARE UNATTRACTIVE COMPARED TO TEN-YEAR MONEY.

7. THE WORLD BANK, ADB AND GERMANS HAVE MADE LOANS FOR PORT IMPROVEMENT, AGRICULTURE PROCESSING, DAIRY DEVELOPMENT, AGRICULTURAL MARKETING, AND AGRICULTURAL STORAGE IN THE AMOUNT OF $262 MILLION IN THE PERIOD 1973-1979.

8. THIS RESPONSE DOES NOT FOLLOW THE OUTLINE OF QUESTIONS POSED IN REF. A. WE BELIEVE, HOWEVER, THAT THE MATERIAL PROVIDED ANSWERS ALL OF THEM. MOREOVER, THE SITUATION

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

IN KOREA IS DIFFERNET IN THAT (1) THE PROPOSED CREDITS
WILL BE A BRIDGE BETWEEN PL-480 AND CCC CREDITS AND/OR
CASH; (2) THE ROKG VIEWS THE 10 YEAR CREDIT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SEOUL 04129 02 OF 02 161011Z

IN THE BROAD CONTEXT OF BALANCE OF PAYMENTS SUPPORT
BUT OFFERS THE U.S. THE WHOLE MARKET IN RETURN FOR
ATTRACTIVE FINANCING AND (3) THE ROKG HAS DEVELOPMENT
PLANS IN AGRICULTURAL MARKETING ON THE SHELF WHICH
WOULD USE ANY AMOUNT OF WON COUNTERPART LIKELY TO BE
GENERATED (THIS CONCLUSION DIFFERS FROM THAT IN REF. H
WHICH SUGGESTED THAT PLANNED AGRICULTURAL MARKETING
PROJECTS WERE UNLIKELY TO REQIRE MUCH WON COUNTERPART
AND REFLECTS WHAT WE PERCEIVE AS A BROADER DEFINITION
OF QUALIFYING PROJECTS).
SNEIDER

CONFIDENTIAL

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL04129
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780206-0315
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780554/aaaabthh.tel
Line Count: 190
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d8463e9c-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 SEOUL 3183, 78 SEOUL 2827
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2677152
Secure: OPEN
Status: NATIVE
Subject: POTENTIAL FOR PROGRAM TO FINANCE MARKET DEVELOPMENT PROJECTS
TAGS: EAGR, KS
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/d8463e9c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014